

Testimony of the  
Connecticut Municipal Electric Energy Cooperative  
to the Energy and Technology Committee of the Connecticut General Assembly  
Re: HB 6510 - *An Act Establishing a Public Power Authority*  
February 24, 2009

**Background on CMEEC**

The Connecticut Municipal Electric Energy Cooperative ("CMEEC") is an operating municipal joint action agency with the legal and legislative authority of a public body, corporate and politic, of the State of Connecticut. CMEEC provides the power supply requirements of the six municipal electric utilities in Connecticut. CMEEC buys and sells power in the wholesale electric markets administered by ISO-New England for its own needs. CMEEC also owns and operates electric generating assets with a total capacity of approximately 109MW (summer rating)<sup>1</sup>. Other services CMEEC provides to its member and participant systems include representing its members as a single-entity in the ISO-New England and New England Power Pool ("NEPOOL") processes, developing and financing construction of electric generation and demand reduction resources, and administering energy efficiency and environmental stewardship initiatives. All of these services are implemented by CMEEC management under risk management policies and other policies approved by CMEEC's Board of Directors.

**CMEEC's Position on the Proposed Legislation**

CMEEC generally supports efforts by the legislature to enact new and innovative strategies to secure reliable power supplies for Connecticut's consumers at the lowest possible price. If properly structured and operated, a Power Authority, the focus of the proposed legislation, would be in a position to implement policies and programs that could serve as an effective hedge or mitigant against price volatility in the wholesale electric market. This price volatility has historically driven the retail price spikes which Connecticut has experienced over the last several years. Given that CMEEC has, by design, the flexibility to build a more blended portfolio of resources, it can provide a unique example of the Power Authority model in Connecticut.

CMEEC's portfolio of resources consist of participant and member-owned generation, unit entitlement contracts, long-term system contracts, intermediate- and short-term system contract options, financial instruments for call options, and fuel hedging purchases. In addition, CMEEC customers have distributed generation assets that CMEEC can use as a tool to manage peak load, thereby helping to contain power procurement costs. This diverse portfolio gives CMEEC the flexibility to take advantage of market opportunities when they present themselves, without first having to gain authorization to buy and sell, which can result in lost cost savings opportunities. This operating model, with appropriate adjustments for scale and context, could be a framework for the proposed Power Authority

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<sup>1</sup> Approximately 132 MW in winter.

This operating flexibility must also be carefully managed because it can entail potential market risks. Well developed and maintained risk management policies are essential to effective electric procurement and resource development.

CMEEC would like to reiterate the comments of the American Public Power Association in its testimony that *"[t]he achievement of the potential benefits of a power authority requires that the entity have a clear and well-defined mission, work in collaboration with existing regulatory bodies, and act as a complement to existing regulations and procedures rather than as a replacement."* In particular, it is vitally important that, under any construct, Connecticut's interests be clearly communicated and represented in the ISO-New England processes for region-wide system planning and market development. Operational and wholesale market changes can impact any entity buying and selling resources inside the control area. In addition, other significant charges are eventually imposed on consumers as a result of the ISO processes, such as transmission charges, which are on track to rise significantly over the next ten years. Having multiple state-sponsored entities charged with representing "Connecticut" before the ISO-New England could have the unintended consequence of marginalizing various Connecticut entities' input. While the bill gives standing to the Power Authority in ISO-related and other regulatory processes, it does not require coordination of message and representation with the other state-sponsored entities with similar standing.

CMEEC requests that in future iterations of the bill, the Committee will consider including CMEEC, along with the electric distribution companies, in the Request for Proposal process outlined in section 12 of the bill. Under certain circumstances, CMEEC may be in a position to offer a competitive bid to build generating projects that produce real cost savings for consumers. Allowing CMEEC to participate in this RFP process and other infrastructure asset ownership opportunities along with the electric distribution companies, such as transmission ownership, could produce worthwhile consumer benefits in the form of reduced costs.

Finally, CMEEC would be willing to consider the provision of administrative support pursuant to Section 2c of the bill, or other expertise it can bring to the new Authority.

Thank you.